

Decision 06-06-067 June 29, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U 338-E) to Establish Marginal Costs,
Allocate Revenues, and Design Rates.

Application 05-05-023
(Filed May 20, 2005)

(See Appendix A for List of Appearances.)

OPINION APPROVING SETTLEMENT

I. Summary

Today we approve a comprehensive settlement agreement (Settlement Agreement) entered into by Southern California Edison Company (SCE) and all active parties in this proceeding¹ (Settling Parties). The Settlement Agreement² addresses the allocation of the 2006 General Rate Case (GRC) revenue requirement responsibility as well as California Department of Water Resources

¹ Active intervening parties are: The Division of Ratepayer Advocates (DRA); The Utility Reform Network (TURN); The Agricultural Energy Consumers Association (AECA); The Western Manufactured Housing Communities Association (WMA); The California Large Energy Consumers Association (CLECA); The Cogeneration Association of California and the Energy Producers and Users Coalition (CAC/EPUC); Federal Executive Agencies (FEA); California City-County Street Light Association (CAL-SLA); The California Manufacturers and Technology Association (CMTA); Indicated Commercial Parties (ICP); The Building Owners and Manufacturers Associations of Greater Los Angeles, Orange County, San Francisco, and California (BOMA); California Farm Bureau Federation (CFBF); the Vote Solar Initiative (Vote Solar).

² See Attachment A.

(DWR) and Energy Resource Recovery Account (ERRA) revenue requirements to customer classes, and designs a rate structure.

On May 11, 2006, we adopted Decision (D.) 06-05-016 in SCE's Application (A.) 04-12-014, which increased rates by \$333.1 million for Phase 1 of SCE's 2006 GRC. Today's decision in Phase 2 of SCE's 2006 GRC, allocates this rate increase as well as new rates implemented for changes in DWR and ERRA revenue requirements. The revenue allocation and rate design adopted herein does not change the rate allocation and rate design methodology adopted for DWR and ERRA revenue requirements in the appropriate Commission proceedings. The system total revenue responsibility of \$11,214.2 million is allocated to residential, commercial, industrial, agricultural, and street lighting customers. We also adopt the rate structure proposed in the Settlement Agreement to recover the system revenues.

II. Procedural History

In Resolution 176-3154, dated June 16, 2005, the Commission categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. DRA, formerly the Office of Ratepayer Advocates, and the Alliance for Retail Energy Markets (AREM) protested the Application.

A. Prehearing Conference

Assigned Administrative Law Judge (ALJ) Bruce DeBerry conducted a prehearing conference (PHC) on July 20, 2005. During the PHC, intervening parties were identified, issues were discussed, and a preliminary schedule was developed.

B. Scoping Memo and Ruling

Assigned Commissioner John Bohn's Scoping Memo and Ruling (Scoping Memo) issued August 15, 2005, confirmed the categorization and need

for hearing, defined the issues, established a schedule, and directed parties to meet in a settlement conference. Commissioner Bohn designated himself as principal hearing officer, however due to pressing concerns he could not attend the April 20, 2006 evidentiary hearing. Therefore, ALJ Bruce DeBerry is the principal hearing officer in this proceeding.

C. Settlement Agreement

As directed in the Scoping Memo, the first settlement conference was held November 14, 2005. Subsequent settlement conferences were held in early 2006. On April 7, 2006, pursuant to Rule 51 of the Commission's Rules of Practice and Procedure (Rules), SCE on behalf of itself and the Settling Parties filed a Motion of SCE and Settling Parties for Adoption of Settlement Agreement (Joint Motion), and moved that the Commission adopt and find reasonable the "Settlement of Issues Related to Marginal Costs, Revenue Allocation and Rate Design In Phase 2 of SCE's 2006 General Rate Case," (Settlement Agreement) (Attachment A). The Settling Parties assert that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

Settling Parties to this proceeding have reached a settlement that resolves all outstanding issues regarding marginal costs, revenue allocation, and rate design that are the subjects of Phase 2 of SCE's's 2006 GRC.

III. Background

SCE served its prepared direct testimony on marginal costs, revenue allocation and rate design in Phase 2 on May 20, 2005. SCE updated its initial showing on September 6, 2005. DRA served its initial testimony on December 16, 2005. Intervenors served initial testimony on January 20, 2005.³

³ Attachment B to this decision lists the exhibits of all parties in this proceeding.

As set forth in the Scoping Memo, and in response to an assigned ALJ Ruling, on February 3, 2006, a comparison document⁴ was submitted which provides the positions of all parties to the proceeding. At the request of Settling Parties, revisions in the Scoping Memo schedule delayed the date for serving of rebuttal testimony and evidentiary hearings. During a March 23, 2006 conference call, Settling Parties indicated to the assigned ALJ that a global settlement of all revenue allocation and rate design issues was likely. In addition, Settling Parties requested that revised Phase 2 rates be effective June 1, 2006.

An evidentiary hearing was held on April 20, 2006, to review the reasonableness of the Settlement Agreement, to identify and receive testimony and exhibits into the record, and to schedule the remaining events for this proceeding.

The Settlement Agreement states that adjustments to revenue requirements as a result of subsequent authorized revenue changes will be provided by SCE.⁵ In response to a request by the assigned ALJ, on June 2, 2006, SCE provided Revised Appendix B and Revised Appendix C, which were identified as Exhibits 2-20 and 2-21, respectively, and received into the record. Phase 2 of the GRC was submitted on June 2, 2006.

IV. Settlement Criteria

Parties to the proceeding have reached a global settlement of all disputed issues. In such cases, the Commission applies standards set forth in Rule 51.1(e) of the Commission's Rules to evaluate the proposed settlement. This rule

⁴ Exhibit 2-19, Comparison of Parties' Positions dated February 3, 2006, Comparison Exhibit.

⁵ See, Settlement Agreement, pp. 11-12.

requires that the “settlement is reasonable in light of the whole record, consistent with law, and in the public interest”.

We are satisfied that the record supports the requisite findings under Rule 51.1(e). The applicant was represented by its staff and counsel in the proceeding. DRA, whose charge is to represent ratepayer interests, and AREM, which represents energy service providers active in the California retail electricity market, initially protested the application. In addition, parties representing agricultural customers, building owners, large commercial customers, the County of Los Angeles, hospitals, Federal Executive Agencies, solar equipment providers, electric cogeneration companies and energy providers participated in the proceeding and in the settlement negotiations. Parties prepared and served exhibits on marginal costs, revenue allocation and rate design issues.

The record shows that the Settlement Agreement was reached after significant give-and-take between the Settling Parties which occurred over a significant amount of time. This give-and-take is demonstrated by the positions initially taken by parties in the Comparison Exhibit and the final positions agreed upon in the Settlement Agreement. Settlement negotiations began with the noticed November 14, 2005 Settlement Conference. Settlement negotiations continued with a second noticed settlement conference on January 26, 2006, and concluded with the April 7, 2006 Settlement Agreement.

V. Terms of the Settlement Agreement

The Settlement Agreement resolves all issues related to Phase 2 of SCE’s 2006 GRC. Its primary provisions are summarized below:

A. Marginal Costs

The Settlement Agreement does not use any of the Parties’ marginal cost proposals as the basis for the agreed-upon Phase 2 Revenue Allocation, except

for the sole purpose of establishing unit marginal costs that are used to set floors for energy, customer, or demand charges for certain customer classes.

The Settlement Agreement does use generation marginal capacity cost based on the deferral values of a gas-fired combustion turbine (CT), and installation cost based on annualized Real Economic Carrying Charge methodology. Although we are adopting the Settlement Agreement without change, we note that in Rulemaking (R.) 04-04-025 we are reviewing the various methodologies for determining avoided costs including the use of a CT proxy. Therefore, our adoption of this methodology as used in the Settlement Agreement for this proceeding should not be considered precedent, as further review and analysis may indicate a change is warranted. This position is also consistent with Rule 51.8, which provides that Commission adoption of a settlement does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.⁶

B. Revenue Allocation

The revenue allocation results for bundled-service and Direct Access (DA) customers are shown in Appendix B to the Settlement Agreement. As provided in the Settlement Agreement, a Revised Appendix B was submitted on June 2, 2006 (Exhibit 2-20), and is summarized in Table V-1 below:

⁶ Settlement Agreement, paragraph 12, p. 29, also recognizes the implications of Rule 51.8.

Table V-1
Revenue Allocation⁷

Rate Group	Bundled Service			Direct Access Service	
	Revenue (\$MM)	% Change	Illustrative Percentage Change including Expected DA CRS Adjustments (Dec. 2005 to July 2006)	Revenue (\$MM)	% Change
Residential	4,319.0	20.0	24.0%	18.6	-0.4
<i>Lighting, Small and Med. Power</i>					
GS-1	840.6	17.4	22.4%	5.8	-2.6
TC-1	10.9	17.8	22.2%	0.1	1.4
GS-2	2,423.6	12.8	8.4%	107.7	-10.8
Time of Use (TOU)-GS-3	961.0	53.6	52.6%	83.4	17.4
Group Total	4,237.1	21.0	19.2%	197.0	-0.4
<i>Large Power</i>					
TOU-8-Sec	1,132.4	24.8	18.0%	115.9	6.2
TOU-8-Pri	677.0	25.1	17.8%	86.7	-4.1
TOU-8-Suh	424.8	27.8	17.5%	151.9	-0.7
Group Total	2,234.1	25.4	17.8%	354.5	-3.4
<i>Agricultural and Pumping</i>					
PA-1	65.3	18.7	24.1%	0.2	-4.7
PA-2	36.8	19.0	23.9%	0.5	3.5
TOU-Ag	118.5	20.9	22.9%	3.4	-22.2
TOU-PA-5	94.5	20.3	23.2%	0.4	0.4
Group Total	315.1	20.0	23.3%	4.5	-17.6
Street and Area Lighting	108.8	20.4	22.0%	0.9	-19.8
System Total	11,214.2	21.4	20.9%	575.4	-2.5

⁷ See, Revised Appendix B, Exhibit 2-20.

The principles and assumptions used to develop these results are summarized below:

- The Settlement Agreement establishes revenue responsibility based on an estimated \$11,214.2 million July 2006 revenue responsibility which includes rate increases due to ERRA and DWR rate changes. Revenue changes and rates for DA customers reflect estimates of the impact resulting from implementation of a working group report in R.02-01-011 addressing the rate obligation of DA customers. DA customer revenues are based on Commission adoption of the working group report, which will decrease revenue responsibility for large customer rate groups⁸, and increase revenue responsibility for bundled-service small customer rate groups.⁹
- The Federal Energy Regulatory Commission, jurisdictional, transmission revenue requirement is added to California Public Utilities Commission (CPUC) jurisdictional rates to produce total delivery service rates.
- The CPUC Distribution-related revenue requirement is allocated to rate groups based on marginal distribution capacity costs and New Customer Only (NCO)¹⁰ marginal customer costs.
- Large Power interruptible rate program credits, based on a forecast of program participation, are allocated to rate groups for recovery in distribution rates from bundled-service and DA customers based on a marginal generation cost allocator which imputes marginal generation costs to DA customers in each rate group.

⁸ TOU-8, GS-2, and TOU-GS-3 rate groups.

⁹ Residential, GS-1, Agricultural and Pumping, and Street and Area Lighting.

¹⁰ The NCO method for determining customer marginal costs focus on costs caused by new customers. (Exhibit 2-7, p. 2-3.)

- Non-allocated revenues, primarily street lighting facilities and power adjustment factor adjustment revenues are assigned to rate groups responsible for these costs, except the Settlement Agreement caps the allocation to the Street and Area Lighting rate group. Residual revenue deficiency is allocated to all other customer groups on the same basis as distribution revenues.
- The Generation Revenue Requirement net of contribution by DA customers is recovered from bundled-service customers based on marginal generation cost revenues.
- The Public Purpose Program revenue requirement is allocated using the current system average percentage method, and is based upon all retails sales, including DA sales.
- The Trust Transfer Amount revenue requirement is recovered through rates applicable to residential and small commercial rate groups.
- The California Alternative Rates for Energy (CARE) revenue requirement is allocated to rate groups on an equal cents per kWh basis including DA sales, but excludes the kWh usage of CARE and Street and Area Lighting customers.
- Future changes to SCE's distribution and generation revenue requirement will be allocated according to the functional character of the revenue requirement change on a System Average Percentage Change basis.

These revenue allocation principles and issues are addressed in the Settlement Agreement beginning at paragraph 6.b)(i) (Page 9) through Paragraph 6.b)(v)(4). (Page 13.)

VI. Rate Design

Rate schedules are shown in Appendix C to the Settlement Agreement.¹¹ Rates reflect the Phase 2 Revenue Allocations, the additive impact of the DA CRS revenue allocation adjustments, and reflect the estimated effects of the working group report in the DA CRS proceeding. The common pricing principles used in rate design include:

- Customer charges are generally set at the full Equal Percentage of Marginal Cost (EPMC) level for customers with demand of 20 kW or more. Customer charges for non-TOU rate schedules where customer charges are not set at the full EPMC level are increased by a maximum of 20 percent of the difference between the current customer charge and the EPMC level.
- Time-related demand charges for distribution service are eliminated for all demand-metered rate schedules.
- Schedule DA-SF is eliminated without prejudice to the right of any party to raise this issue in an appropriate future proceeding. As this eliminates the five-dollar per month fee on DA customers there is no adverse impact to existing DA-SF customers.

Pricing principles used in residential rate design include:

- Residential energy charges reflect five-tiers of consumption:
- Tier 1 is the baseline allocation.
- Tier 2-101% to 130% of baseline allocation
- Tier 3-131-200% of baseline allocation
- Tier 4-201-300% of baseline allocation

¹¹ As provided in the Settlement Agreement, a Revised Appendix C was submitted on June 2, 2006 (Exhibit 2-21).

- Tier 5-301% or more of baseline allocation.
- The basic charge and energy rates for usage up to 130% of baseline are not increased above levels effective February 1, 2001.
- Revenue changes are allocated to tiers above 130% of baseline allocation. The tier 3 energy charge is 1.65 times the Tier 2 energy charge; while, additional revenue increases are allocated to Tiers 4 and 5, such that the increases between Tiers 3 and 4 and Tiers 4 and 5 are comparable.
- CARE energy rates reflect three tiers such that the third tier provides a 20% discount from the Tier 3 non-CARE energy rate.
- Current TOU meter charges are not increased.
- There is no change made to the current Basic Charge.
- Adjustments are made to submetered electric service, while the discount provided to DMS-1 customers is maintained at the current ratio between DMS-1 and DMS-2.
- All baseline allowances remain at their current levels.

Agricultural and pumping rate design pricing principles include:

- Current rate structures continue to include a customer charge, a service charge for connected load per horsepower, a flat energy charge, and off-peak credit.
- The seasonal time-related distribution demand charge is eliminated for PA-2 customers, and recovered through a facilities-related demand charge.
- The off-peak energy charge for generation TOU rates is set at approximately the off-peak generation marginal energy cost; remaining generation revenues are recovered through the on-peak and mid-peak energy charges.

Large Power rate design pricing principles include:

- A transition in the interruptible credit structure pursuant to D.05-04-053 over a three-year period.
- The transition from Schedule I-6 to TOU-BIP employs revenue neutrality relative to the amount of interruptible credits, and Schedule I-6 is terminated at the end of the year following the second transition step.
- Schedule TOU-8-SOP will be eliminated.

Small and Medium rate design pricing principles include:

- Schedule GS-1 customer charge is unchanged, and the energy charge continues to be differentiated by season.
- Schedule GS-2, limited to customers with peak demands below 200 kW, maintains the current rate components,¹² although the customer charge is increased by 20% of the difference between the current charge and the EPMC-based level.
- A new TOU rate group, TOU-GS-3, is established to include customers with demands of 200 kW or greater but less than 500 kW. The customer charge reflects the EPMC-determined level, and energy charges are based on marginal generation and marginal energy prices.
- Optional schedules TOU-GS-SOP and TOU-EV-4 are retained.
- An additional TOU schedule is made available to GS-2 and TOU-GS-3 customers based on TOU energy only.

¹² Current rate components are a customer charge, seasonal time-related demand charges, a facilities-related demand charge, and a flat energy charge differentiated between the Summer and Winter seasons.

- Schedule RTP-2-1¹³

The Settlement Agreement does not specifically address Schedule RTP-2-1, although under the Settlement Agreement Schedule RTP-2-1 is terminated due to changes being made to the provision of interruptible credits and the real time pricing rate schedule.¹⁴ As customers served on interruptible rate schedules can only terminate during a one-month period between November 1 and December 1 of each year, SCE should be authorized to terminate Schedule RTP-2-1 at the end of the opt-out period in November 2006. Current customers served under the RTP-2-1 schedule should have the option at that time to transfer service to Schedule I-6, or any other applicable schedule. This change will enable SCE to retain the existing interruptible load resource on SCE's system.

Current Street and Area Lighting schedules are maintained. Energy charges for this rate group reflect allocated distribution and generation revenues. Some removal of street lighting facilities and lamp charges are changed.

We note that the Settlement Agreement proposes to eliminate at least four of the current rate schedules including I-6, DA-SF, TOU-8-SOP and RTP-2-1. In furtherance of the public interest, we will require SCE to provide additional notice to all customers who are currently on rate schedules that will be eliminated. We will require that SCE provide this notice at least 30-days prior to the closing of a rate schedule. This will provide existing customers sufficient notice of their rate options prior to closure of a schedule in order that customers can make reasonable decisions.

¹³ See, SCE Comments, pp. 1-2. (June 21, 2006)

¹⁴ See, Settlement Agreement, pp. 22-23.

VII. The Settlement Agreement Meets the Criteria of Rule 51.1(e)

The Settlement Agreement is consistent with Commission decisions on settlements which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.¹⁵ This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.¹⁶ As long as a settlement taken as a whole is reasonable in light of the record, consistent with law, and in the public interest it should be adopted.

This Settlement Agreement complies with Commission guidelines and relevant precedent for settlements and criteria for Commission approval of settlements as stated in Rule 51.1(e), as follows:

The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest. (Emphasis added.)¹⁷

¹⁵ See e.g., D.88-12-083 (30 CPUC 2d, 189, 221-223), D. 91-05-029 (40 CPUC 2d,301, 326), and D. 05-03-022,mimeo, p.8.

¹⁶ See, D.92-12-019, 46 CPUC 2d 538, 553.

¹⁷ See also, Re San Diego Gas and Electric Company, D.90-08-068, 37 CPUC 2d 360: “[S]ettlements brought to this Commission for review are not simply the resolution of private disputes, such as those that may be taken to a civil court. The public interest and the interest of ratepayers must also be taken into account and the Commission’s duty is to protect those interests.”

**1. The Settlement is Reasonable in
Light of the Record, Consistent with Law,
and in the Public Interest**

**a) The Settlement is Reasonable in Light
of the Record**

The prepared testimony, the Comparison Exhibit and Settling Parties' motion to adopt the Settlement Agreement contain the information necessary for us to find the Settlement Agreement reasonable in light of the record. Prior to the Settlement, parties conducted extensive discovery, and served detailed testimony on the issues related to marginal costs, revenue allocation and rate design. A list of the prepared testimony and related exhibits are set forth in Attachment B to this opinion, and all have been made part of the record of this proceeding.

The Settlement Agreement represents a reasonable compromise of the parties' positions. The prepared testimony of the parties and the Comparison Exhibit, comprising the record for Phase 2, contain sufficient information for us to judge the reasonableness of the Settlement Agreement.

**b) The Settlement Agreement is
Consistent With Law**

The Settling Parties believe that the terms of the Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof. In agreeing to the terms of the Settlement Agreement, the Settling Parties have explicitly considered the relevant statutes and Commission decisions and believe that we can approve the Settlement Agreement without violating applicable statutes or prior Commission decisions. We have determined that the Settlement Agreement is consistent with law.

c) The Settlement Agreement is in the Public Interest

The Settlement Agreement is in the public interest and in the interest of SCE's customers. The agreed-upon revenue allocation and rate design moderates potentially harsh bill impacts while at the same time moves revenue responsibility closer to the cost of service. Our approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties.

The Settling Parties assert that each portion of the Settlement Agreement is dependent upon the other portions of the Settlement Agreement. Changes to one portion of the Settlement Agreement would alter the balance of interests and the mutually agreed upon compromises and outcomes which are contained in the Settlement. As such, the Settling Parties request that it be adopted as a whole by the Commission, as it is reasonable in light of the whole record, consistent with law, and in the public interest.

VIII. The Settlement Agreement Meets the Commission's Criteria For An All-Party Settlement

In the All-Party Settlement Decision (a settlement of San Diego Gas and Electric Company's 1993 GRC), the Commission outlined four conditions that must be satisfied in order for the Commission to approve an all-party settlement.

The sponsoring parties must show that:

- a. The settlement agreement commands the unanimous sponsorship of all active parties to the proceeding;
- b. The sponsoring parties are fairly reflective of the affected interests;
- c. No term of the settlement contravenes statutory provisions or prior Commission decisions; and

- d. The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.¹⁸

The Settling Parties comprise all of the active parties in Phase 2 of SCE's GRC, and we do not have knowledge of any parties who contest the Settlement Agreement. SCE is represented by its staff and counsel. TURN and DRA represent ratepayer interests. CFBF and AECA represent agricultural customers and related agricultural interests. FEA represents federal agency customers; CMTA represent manufacturing and direct access customers; CLECA represents large industrial and interruptible customers; ICP represents government, healthcare and commercial customers; CAL-SLA represents city and country street lighting and signal customers; WMA represents manufactured housing associations; BOMA represents commercial office building customers; CAC and EPUC represent power generation and cogeneration operations; and Vote Solar represents members desiring clean and renewable energy sources.

The Settlement Agreement commands the unanimous sponsorship of all active parties in this proceeding. The Settling Parties fairly represent the interests of the parties affected by the Settlement Agreement. As previously concluded, the terms of the Settlement Agreement comply with all relevant statutes and prior Commission decisions.

We find that the evidentiary record contains sufficient information for us to judge the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter.

¹⁸ See. D.92-12-019, 46 CPUC 2d 538, 550-551; D.97-06-066, 72 CPUC 2d 851, 859.

Assignment of Proceeding

John A. Bohn is the Assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Comments on the Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(d). Rule 77.7(g) of the Commission's Rules of Practice and Procedure provides that the 30-day comment period may be reduced upon the stipulation of all parties to the proceeding. All parties have stipulated to a five-day comment period and a three-day reply comment period. Comments were filed by SCE and ICP. ICP supports the proposed decision without change. SCE recommended minor changes which we have incorporated into today's decision.

Findings of Fact

1. In Phase 1 of this proceeding, a rate increase of \$333.1 million was authorized.
2. On April 7, 2006, SCE, on behalf of the Settling Parties filed a motion requesting the Commission to adopt a settlement agreement entitled "Settlement of Issues Related to Marginal Costs, Revenue Allocation, and Rate Design in Phase 2 of Southern California SCE Company's 2006 General Rate Case (Settlement Agreement).
3. All issues in this Phase 2 are encompassed by, and resolved in, the Settlement Agreement.
4. The parties to the Settlement Agreement are all of the active parties in Phase 2.
5. The Settling Parties are fairly reflective of the affected interests.
6. No term of the Settlement Agreement contravenes statutory provisions or prior Commission decisions.

7. The Settlement Agreement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

8. The Settlement Agreement is reasonable in light of the record, is consistent with law, and is in the public interest.

9. The Revenue Allocation set forth in Table V-1 of this decision is reasonable and is adopted.

10. The rate design set forth in Appendix C to the Settlement Agreement is reasonable and is adopted.

11. Conducting a further proceeding would unnecessarily consume valuable resources of the Commission, SCE and other parties, and would delay, and possibly prevent, the realization of the benefits identified above regarding revenue allocation and rate design.

Conclusions of Law

1. The Settlement Agreement fully resolves and settles all disputed issues among the parties concerning SCE's Application in this proceeding.

2. The Settlement Agreement we approve is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The Settlement Agreement is an all-party settlement and satisfies the criteria for an All-Party Settlement.

4. The Settlement Agreement should be approved.

5. This decision should be effective today so that the Settlement Agreement may be implemented expeditiously.

6. A.05-05-023 should be closed.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement is approved.
2. If the Commission approves a decision in Rulemaking (R.) 02-01-011 no later than September 21, 2006, then within three days of the effective date of the Commission's decision in R.02-01-011 resolving cost responsibility surcharge obligations, Southern California Edison Company (SCE) shall file an Advice Letter (AL) with revised tariff sheets to implement the authority granted in this decision, and the Commission's decision in R.02-01-011. The revised tariff sheets shall become effective three days after the decision in R.02-01-011.
3. In the event that the Commission's order in R.02-01-011 is not adopted by September 21, 2006, then the Direct Access (DA) rates to be filed shall not include the changes recommended in the Working Group Report in R.02-01-011, and instead DA rates shall be based on the existing rate design wherever the Working Group Report would change current rates. SCE shall then file an AL with revised tariff sheets on or before Sept. 30, 2006 to implement new rates reflecting the authority granted in this decision to be effective Oct. 1, 2006.
4. In either event, the AL shall comply with GO 96-A (or its successor) and D.05-01-032. The revised tariff sheets shall apply to service rendered on or after their effective date, subject to Energy Division's determination that they are in compliance with this decision.
5. Schedule RTP-2-1 should terminate at the end of SCE's opt-out period in November 2006, and therefore this schedule (revised to reflect current allocated revenues) should remain in effect until that opt-out period has ended. Former RTP-2-1 customers should have the option of transferring to Schedule I-6, or any other applicable rate schedule at that time.

6. SCE shall provide notice to all customers on rate schedules that will be closed as proposed in the Settlement Agreement. The notice shall be mailed to existing customers at least 30 days prior to closing these existing schedules and include other schedule options available to these existing customers.

This order is effective today.

Dated June 29, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners

ATTACHMENT A
SETTLEMENT AGREEMENT

APPENDIX B

Proceeding No.
A. 05-05-023

ALJ
Bruce DeBerry

EXHIBIT INDEX

Exh. No.	Date		Sponsor/Witnes s	Description
	Ident.	Recd.		
2-1	4-20-2006	4-20-2006	SCE	Phase 2 2006 GRC Policy Proposals
2-2	“	“	“	Phase 2 2006 GRC Marginal Cost and Sales Forecast Proposals
2-3	“	“	“	Phase 2 2006 GRC Revenue Allocation Proposals
2-4	“	“	“	Phase 2 2006 GRC Rate Design Proposal
2-5	“	“	“	Phase 2 2006 GRC Proposed Rate Schedule Changes
2-6	“	“	“	Phase 2 2006 GRC Witness Qualifications
2-7	“	“	ORA	Testimony on Phase 2 SCE 2006 GRC, Marginal Cost, Revenue Allocation, and Rate Design
2-8	“	“	TURN	Electric Marginal Cost and Revenue Allocation for SCE
2-9	“	“	Agricultural Energy Cons. Association.	Prepared Direct Testimony of Richard McCann on Marginal Costs Rev. Allocation And Rate Design
2-10	“	“	Western Manf. Housing Communities Association.	Prepared Direct Testimony of Richard McCann
2-11	“	“	Fed. Exec. Agencies	Direct Testimony of Maurice Brubaker
2-12	“	“	Calif. City-County Street Light Assoc.	Direct Test. Of Reed Schmidt on Marginal Costs, Rev. Alloc. And Rate Design
2-13	4-20-2006	4-20-2006	Ca. Manufacturers and Tech. Assoc. and Indicated. Commercial Parties	Prepared Direct Testimony of R. Thomas Beach
2-14	“	“	Ca. Farm Bureau Federation	Testimony of Wendy Illingworth Economic Insights
2-15	“	“	CAC and EPUC	Prepared Direct Testimony of James Ross
2-16	“	“	Ca. Large Energy Consumers Assoc.	Testimony of Barbara Barkovich and Catherine Yap

APPENDIX B

Proceeding No.
A. 05-05-023

ALJ
Bruce DeBerry

EXHIBIT INDEX

Exh. No.	Date		Sponsor/Witnes s	Description
	Ident.	Recd.		
2-17	“	“	Vote Solar Initiative	Prepared Testimony
2-18	“	“	Building Owners and Mgrs. Assoc.	Testimony of Bill Roberts on Phase 2 of SCE 2006 GRC
2-19	“	“	Settling Parties	Comparison of Parties' Position
2-20	6-8-2006	6-8-2006	SCE	Revised Appendix B to the Settlement Agreement
2-21	“	“	“	Revised Appendix C to the Settlement Agreement
2-22	“	“	“	Attachment 1 to SCE's June 2, 2006 Transmittal Letter
2-23	“	“	“	Attachment 2 to SCE's June 2, 2006 Transmittal Letter

(END OF ATTACHMENT B)

APPENDIX A LIST OF APPEARANCES

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(END OF APPENDIX A)